

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

Summer Bookings Surge in May

Summer holiday bookings on the German market soared by 21% in revenue terms last month, driven by last-minute sales, according to the latest monthly survey of travel agency sales by market researchers GfK. The strong May figures, which showed a 23% rise in overall sales including winter bookings, are a clear upturn on April when summer sales increased by 5.6%. However, the high growth figures reflect a statistical effect as they compare to weak sales in May 2014, when there was zero overall growth and a 6.7% slump in sales for summer 2014. Nevertheless, there was clearly a healthy underlying growth rate last month. The cumulative sales increase for summer 2015 now lies at 7.5%, which is the highest level so far this year. Last-minute bookings were a key sales driver in May, with sales for holiday departures in the same month representing 8.4% of total sales. Bookings were also strong for June, with a 15.4% share of the overall volume, the survey of 1,200 travel agencies found.

In addition, there was again good early demand for winter 2015/16, and the forthcoming season reached 20% of overall sales in revenue terms, the GfK survey found. The strong growth was also reflected in the monthly survey of 2,400 mostly business travel-focused agencies by IT services company TATS. This showed a 10% rise in tourism revenues last month, resulting in an overall 4.2% rise since the start of the year. Advance bookings for departures up to October, however, are moderate with only a 1.1% rise last month, leaving a cumulative increase of 2.6% since the start of the year.

The latest sales figures have certainly improved the mood of German travel agents in early June. The number of travel agents with “good” sales levels rose to 37.5% compared to 31% one month earlier, according to the monthly ‘sales climate index’ survey by consultants Dr. Fried + Partner for fvw. Overall, the ‘sales climate index’ has risen to 103 points, indicating solid growth. This compares to just 95 points 12 months ago, when the football World Cup caused a slump in sales.

Travel Agents Slam Lufthansa for GDS Fee Plan

The German travel industry has overwhelmingly criticized Lufthansa’s plan to introduce a new €16 GDS booking fee as “an attack on travel agents”. The beginning of the month the airline announced that the new €16 Distribution Cost Charge (DCC) will apply per ticket for all bookings made through a GDS from September onwards for flights on Lufthansa, Austrian, Swiss and Brussels Airlines (but not Germanwings or Eurowings). The GDS fee

will be paid by travel agents and consumers. There will be no similar charge for bookings made directly through the websites of the airlines or other direct sales channels.

Lufthansa passenger sales manager Jens Bischoff told fvw: “The time is right for direct sales.” At present, Lufthansa sells about 30% of its tickets directly. In future, the airline wants more leisure and business travel bookings to be made through its own sales channels, primarily the websites of the four airlines, travel agency portals and airport ticket counters. Bischoff said Lufthansa is no longer ready to pay the high GDS charges which cost the airline an average of €18 per booking, compared to just €2 per booking for direct online bookings. “It can’t be right that we calculate with a margin of 1.9% while the GDS firms achieve a 20% margin for their services,” he said.

Other airlines are now expected to follow Lufthansa’s lead on this issue, which has been compared to the introduction of zero commissions years ago. In response, travel agents in Germany reacted angrily to the plan. The German Travel Association (DRV), which represents the bulk of travel agents in Germany, criticized the plans strongly. DRV president Norbert Fiebig declared: “This step is going in the wrong direction both for customers as well as for the travel industry.” The move was “an attack” on travel agency sales and “a return to moves like 30 years ago”. Fiebig claimed that the GDS charge would hit customers and sales partners alike. “Customers have a disadvantage as this step will put up ticket prices and prevent price comparisons for travelers. Customer transparency is thus reduced. On the other hand, the workload for business travel agencies will increase massively, especially for bookings, re-bookings and invoicing for corporate clients,” he warned.

The small independent agents association ASR reminded the airline of travel agents’ support during the recent strikes “with countless re-bookings and time-intensive workload”. Vice-president Joachim Szech said: “This decision aims to exclude third-party sales.” He warned that agents could book competitors such as Gulf carriers more intensively as a result. Michael Buller, president of the online travel retailers association VIR, even described the GDS fee as “a declaration of war” as Lufthansa was trying to redirect bookings to its own sales channels.

U.S. Pricing Expected to Rise

German tour operators have secured cheaper rates for New York for next year, but most U.S. travel prices look set to rise sharply due to the strong dollar, pushing up holiday costs for consumers. Tour operator buyers at the recent IPW fair in Orlando were positively surprised by the readiness of New York suppliers to offer attractive rates in response to a boom in new hotels. “New York City is fairly under pressure at present due to plenty of new capacity,” explained Steffen Boehnke, TUI’s long-haul holidays chief.

Fabio Negro, North America director for FTL, agreed: “With about 80 new hotels opening this year, New York City will have over-capacity for the first time for many years. Now they need us to fill the beds and so they are very accommodating. But it won’t necessarily stay like that in future.”

America Unlimited managing director Timo Kohlenberg explained that the lower rates also resulted from a drop in bookings for many suppliers this year already because of the high exchange rate.

The capacity increase was confirmed by Fred Dixon, head of tourism office NYC & Company. “We have created as many additional beds as San Francisco has in total,” he

declared. Tourism chiefs hope that lower prices will make the Big Apple more affordable for families and young adults in particular.

Overall, however, the USA will be a much more expensive destination for German travelers next year on account of the stronger U.S. Dollar. Tour operators, who benefitted this year from contracting capacity at a much lower exchange rate last year, expect their contracting prices to go up as much as 15-20%, meaning there will inevitably be higher prices for customers. At present, though, leading German tour operators are still seeing strong sales for the USA this year, with sales up by about 10%. “We’re the outperformer in the German market,” declared TUI’s Boehnke. “We are having a record year with our USA product and are currently growing 50% faster than the market.” He claimed that TUI now offers a larger hotel program for the USA than market leader Dertour, and is also benefiting from good reservations technology. “We want to become the long-haul number one.” Dertour’s North America director Per Ilian countered: “We’re still a bit bigger, but we’re not resting on our laurels.” FTI also has growth ambitions. “We want to grow and return to our former strength in the USA,” Negro emphasized.

SALES ACTIVITIES

Lufthansa Cooperation – “360 Degree” Training Events (May – October 2015):

Between May 20th and October 20th we will present VSPC in 15 different cities throughout Germany in cooperation with Lufthansa. The carrier’s 360° concept entails presentations of several LH products to top travel agents (Premium Economy, Business and First Class, Traveling with Children, the new Sun Destinations, Austrian Airlines and Swiss). The product presentation stations are set up in a circular fashion whereby attendees are seated in the middle of the room rotating their attention to each station in sequence. Of particular note is that for the new “Sun Destinations” product station, WE are the only destination given the privilege of making a special presentation ... other sun destinations receive mention only by a LH representative. An attendance of between 100-200 agents is expected in each city, so our potential reach is “amplified” to up to 2,000 agents!

Similar to our participation in Frankfurt and Düsseldorf last month, we presented VSPC in four additional German cities this month. In addition to our comprehensive training presentation, we again included our game of dice with the area map, which the agents flocked to participate in.

This month the series of training events continued in the following cities:

June 4th in Berlin:

- The evening in Berlin culminated in an exciting prize drawing with our destination being the main highlight: two Lufthansa tickets FRA-TPA-FRA, a 3-night hotel stay in our area plus two dinner cruises for two. Agents were impressed with the entire event and were grateful for the comprehensive information they received about our area. Attendance: 152 agents.

June 8th in Cologne:

- In Cologne the presentation format was identical to Berlin’s. Here again, the agents loved our amplified presentation as well as the dice game. As Lufthansa did not offer a Tampa flight in this city, we gave away a beach bag stuffed with goodies instead. Attendance: 145 agents.

June 11th in Hannover:

- Agents in Hannover were equally impressed by our presentation and joined in in our dice game. The evening culminated in a raffle during which VSPC was highlighted again as the grand prize consisting of a 3-night hotel stay in our area plus two dinner cruises for two along with two Lufthansa tickets FRA-TPA-FRA. Attendance: 79 agents.

June 30th in Schwetzingen:

- Same concept as in the other cities with VSPC being the main prize in the prize drawing at the end of the event, i.e. two Lufthansa tickets FRA-TPA-FRA, a 3-night hotel stay in our area plus a dinner cruise for two. Attendance: 50 agents.

Our snappy orange eco tote bags stuffed with our Gulf to Bay magazine as well as other LH collateral and giveaways were handed out to each attendee.

Of note is that we began to see a bit of falloff in attendance to the events, primarily driven by travel agents' reaction to the DCC charge announced by LH earlier this month. LH reported several last-minute cancellations for the events held in Hannover and Schwewtzingen.

Logistical arrangements continued for the upcoming cities of Dresden, Leipzig, Aachen, Hamburg, Bremen, Stuttgart, Saarbrücken and Nuremburg. We have contacted each of the LH regional managers respectively, coordinating presentation details and applicable shipping logistics for our brochures and giveaways. In addition Lufthansa headquarters asked for 500 additional orange eco tote bags, which we sent to them for their use in upcoming events.

Explorer Fernreisen In-House Training (June 8th & 12th, 2015):

While we will be travelling all across Germany to promote the new Lufthansa flight, we took the opportunity to increase our reach by making arrangements for in-house training sessions in cooperation with Explorer Fernreisen, one of Germany's mid-sized, direct-sell tour operators with 23 offices in Germany.

This month we visited Explorer's Cologne and Hannover offices where we presented VSPC to 20 Explorer reservations staff and respective office directors together with a KLM/Delta/Air France delegate during the forenoon. Agents and directors alike were impressed by the many features and benefits of VSPC and ordered additional informational material for their offices, which was forwarded from our warehouse the next day. Following the trainings, we proceeded to the applicable LH 360 Degree event locations.

Visit Florida Road Show (June 15th – 18th, 2015):

We participated in the Visit Florida Road Show for the third consecutive year. Four cities in three countries were targeted (Basel, Switzerland; Mainz & Nuremburg, Germany and Linz, Austria) where we trained 296 agents cumulatively. Comprehensive training sessions and workshops were held during the day culminating in evening events in each city.

The following Florida partners participated:

Bradenton, Florida Keys, Fort Myers, Naples, Panama City Beach, SeaWorld Parks & Entertainment. With Florida being FTI Touristik's "Highlight of the Year" destination in 2015, the road show was endorsed by the tour operator this year.

As the evening events culminated in a prize raffle, we put out an applicable opportunity blast to our industry last month and are grateful, once again, for the generous support!!

With this year's road show having been another success, dates for next year have been tentatively set as follows: May 9 – 13, 2016

Lufthansa Group Road Show (July 13th – 17th, 2015):

Focused on promoting their services to the new “Sun Destinations” come fall 2015 (Cancun, Maldives, Mauritius, Panama and Tampa), Lufthansa will be conducting a road show to five German cities: Munich, Frankfurt, Düsseldorf, Hamburg and Berlin. The evening events will comprise a table top marketplace, destination presentation and prize raffle. Approximately 100 agents are expected per city.

We submitted material (content, imagery, logo) for a ‘workshop booklet’ to the organizers the month and handled several other logistics including submission of our PPT presentation, shipping and travel arrangements.

With service to Tampa emanating in Frankfurt, we are pleased to have successfully convinced LH to allow us to present a travel prize to our area in this city. We received great support from our industry partners pursuant to an opportunity blast deployed this month and will present a wonderful prize package including a 7-night stay plus several attraction tickets. LH has agreed to sponsor two air tickets to Tampa.

Visit USA Germany Halloween Event 2015 (October 30th – November 1st, 2015):

For the sixth consecutive year, we will participate in the annual Visit USA Germany Halloween Event. This year’s seminar weekend will take place at the Hilton Garden Inn Frankfurt Airport.

VSPC will share a seminar training session with Visit Orlando and SeaWorld Parks & Entertainment, jointly conducting ten intensive training sessions throughout the course of a full day. An evening Halloween extravaganza is planned as the highlight of the weekend.

We registered early for this event in order to secure one of the coveted presentation slots and contacted Visit Orlando and SeaWorld Parks & Entertainment accordingly to begin coordination of our joint training session.

“DERTOUR Academy” Pre-Event Fam Tours (Nov. 17th - 19th & 21st - 23rd, 2015):

Background:

DERTOUR, one of Germany’s leading tour operators, stages an annual event known as the DERTOUR Academy. Over and above intensive training providing agents with the skills they need to operate effectively at the counter, this event serves as a platform for the presentation of the new DERTOUR summer programs and catalog products.

Past DERTOUR Academy destinations have included Canada, Dubai, Egypt, Malaysia and Scandinavia. This year, the DERTOUR Academy’s main event will be held in Las Vegas (November 19-27). 576 top-selling retail travel agents associated with DER Touristik are selected from over 10,000 travel agencies in Germany, Austria and neighboring countries to attend this event in two, back-to-back waves of 288 agents each (11/19-23 and 11/23-27).

As an augmentation to the Academy, DERTOUR offers agents participation in familiarization tours before and/or after the main event. Due to our excellent relationship with the tour operator, VSPC has been offered the invaluable opportunity to showcase the region to these high-quality agents prior to the main event. This will comprise two, back-to-back groups of 24 agents (12 dbl occupancy rooms) + 1 DERTOUR escort (1 sgl occupancy room) for two nights each, i.e. 11/17-19 and 11/21-23.

We have secured accommodations for the two groups – a big ‘thank you’ here as well for our industry’s generosity! Our Leisure Travel Department is in receipt of preliminary program information including the flight schedule. A draft itinerary was developed and forwarded to the tour operator for review. A final itinerary has been requested by August 24th.

CMT Stuttgart Super Sweepstakes (January 16th – 24th, 2016):

Known as one of Germany's largest and most important consumer shows, CMT Stuttgart attracted over 241,000 vacation hungry visitors this year. In addition to our joining forces with the Visit USA Committee Germany in promoting our product via brochure distribution to consumers, we will again co-sponsor the popular CMT Super Sweepstakes.

The sweepstakes will be published in a 12-page, 4-color visitor brochure (circulation 350,000) which will be distributed at 1,800 outlets throughout the State of Baden Württemberg prior to the show and among consumers visiting the fair. The sweepstakes will also be advertised in the fair catalog (circulation 10,000) and promoted to the media. Active promotion of the CMT Super Sweepstakes will start in November 2015 when the official sweepstakes website goes live.

Two travel stays in St. Petersburg/Clearwater will be included. We are again most grateful for the generous support of our industry partners! Sponsors' images and logos have been forwarded to the organizer and the collateral material publisher.

Additional Activity:

- The **BA Speedbird Club** winner asked for more detailed information about our area. Our Gulf to Bay magazine and area map were sent promptly and we provided additional comprehensive information by phone.
- We were invited to attend the annual **noble kommunikation** summer get-together during which we embraced the opportunity to connect with several tourism partners and travel trade media.

MARKETING INITIATIVES

Our efforts continued again this month in developing and completing marketing initiatives and advertising programs, which included:

Tour Operators:

- America Unlimited (Germany)
B2C Multi-Channel Campaign – October-March
Targeting customers aged 30-55 (couples, families and affluent clientele), the campaign is focused on raising awareness and boosting sales via multi-channel platforms such as specially designed microsites, social media inclusion and press coverage.
 - **Animated Short-Film/Video**
Patterned after the look and feel of the “Dumb Ways to Die” video, a short-film/video story will be produced showing cartoon figure “Super-Agent America Unlimited” guiding cartoon figure tourists through the holiday booking process and the ensuing successful journey/vacation experience of tourist A vs. tourist B's poor vacation outcome (who finds himself forgetting to book travel insurance, gets stuck at an airport or finds himself lost trying to find attractions or hotels).
The finalized video was approved by all parties and launched 2/25, i.e. uploaded to several media platforms such as YouTube and Facebook. The video will be promoted by the tour operator through 5/24 via in-screen and display ads (the video itself will remain online indefinitely). In addition, it was incorporated into the tour operator's eNewsletter (130,000 subscribers) with a link to special VSPC travel offers.

The beginning of this month, the following was reported by the tour operator in terms of reach on You Tube and Facebook: video views on You Tube = 56,343, video reach on Facebook = 278,656

Co-op Partners: SeaWorld Parks & Entertainment, Visit Florida

- FTI TOURISTIK (Germany)

Florida has been selected as FTI's "Highlight of the Year" destination for 2014/15. The "Highlight of the Year" campaign runs for 12 months and gives the featured destination enhanced exposure by means of increased product placement, development of special travel packages with value-added elements, several B2B and B2C initiatives, media coverage and generally, a familiarization tour. In conjunction with Visit Florida being the featured destination next year, we will have the opportunity to participate in several marketing initiatives:

 - **B2B Florida Online Academy** – January-September
FTI's online academy is an eLearning platform providing 14,000 registered travel agents with innovative training modules. These include interactive elements such as virtual maps and quizzes. The platform is promoted to agents via the "Academy Newsletter" and in the tour operator's "Start Up" sales program, in which agents are required to participate. Agents successfully completing the Florida Online Academy will receive a "Florida Specialist" certification. VSPC is featured with a dedicated page presenting comprehensive destination information and unique selling points with logo and imagery integration.
- Thomas Cook AG – Thomas Cook Reisen / Neckermann Reisen (Germany)
 - **B2B2C Catalog Cover** – November 2014-March 2016
Valid from April 2015-March 2016, the tour operator's annual Neckermann Reisen catalog (print run of 650,000) was in market as early as November 2014. Adorning the catalog cover is a coveted exposure initiative, particularly as it has a 17-month shelf life. A VSPC key visual and logo comprise the highlights of the coveted catalog cover page.
 - **B2B Infonet & eNewsletter** – June
The "Infonet" is a platform providing up-to-date information and news exclusively to the tour operator's travel agents. Approx. 3,000 agents access this platform daily. VSPC was featured with imagery, logo and teaser text on an XL banner on the entry page which links to a subpage containing with several travel offers. In addition, an eNews blast was distributed containing a VSPC teaser box linking to a dedicated landing page.
This month we provided all necessary elements for the Thomas Cook Reisen eNewsletter, received and approved the layout.
 - **B2C Facebook Destination of the Week** – August
The unique 'Destination of the Week' program on the tour operator's Facebook platform gives the selected partner dedicated exposure with several posts, insider tips, specials and enticing imagery. Over 391,000 page likes (June 2015).
For the Thomas Cook Reisen Facebook platform, VSPC will be Destination of the Week the beginning of August. Respective input such as images and text was provided.

Online Aggregators:

- eBookers (Germany)

Consumer

- **Online Promotion** – May 15th - November 29th, 2015

Consisting of banner placements and a dedicated landing page, core campaign elements include:

- A soft launch in May and June to run 50% of the media impressions
- The campaign will be dark in July and August (because of German holiday periods)
- It will have a stronger share of voice in September-November and run 50% of media impressions and the takeovers

Layouts were received and approved with the campaign launching on 5/15.

Initial reporting shows over 417,000 page impressions for the period 5/15-6/14.

We have kept abreast of disseminating applicable billing instructions to our marketing initiative partners/vendors as well as following up on the status of invoices with the required proof of performance documentation. We are also in the process of collecting proposals for next FY's marketing initiatives in preparation for compiling advertising budget suggestions.

Public Relations:

Kaus Media Services - VSPC's German PR Agency

This month saw us assisting the agency with the following projects:

- **Press Release June:** Proofread and corrected.

All activities, projects and programs described herein have been duly completed as described.